

**Testimony  
of  
UIL Holdings Corporation**

**Re:  
Raised Bill No. 1140**

**AN ACT CONCERNING  
THE DEPARTMENT OF PUBLIC UTILITY CONTROL'S JURISDICTION**

**Energy & Technology Committee**

**Legislative Office Building  
March 10, 2011**

Good afternoon, Senator Fonfara, Representative Nardello and members of the Energy & Technology Committee. My name is Carlos M. Vazquez and I am Senior Director of Government Relations of UIL Holdings Corporation (UIL).

Thank you for the opportunity to offer UIL's comments on **Raised Bill No. 1140, AN ACT CONCERNING THE DEPARTMENT OF PUBLIC UTILITY CONTROL'S JURISDICTION.**

UIL opposes this Bill, which would significantly expand the circumstances under which a utility holding company would be required to seek Department of Public Utility Control (DPUC) approval for corporate decisions that fall far short of change of control.

Under long-standing legislation, section 16-47 of the Connecticut statutes requires DPUC approval prior to a change of control of a holding company that owns a Connecticut public service company. The statute provides a broad definition of presumed control – ownership, directly or indirectly, of 10% or more of voting securities of the utility or holding company. Section 16-47 has served its purpose well, as the DPUC has considered whether to permit changes of control to occur when Connecticut utility holding companies have proposed to be acquired by other companies. If there were a situation that somehow could lead to a change in control but did not include ownership of 10% of voting

securities, section 16-47 also provides that application must be made to the DPUC any time a corporation or person wants to “take any action that would if successful cause it to become or to acquire control over such a holding company.”

This Bill would substantially expand the DPUC’s required review by adding three specific situations where DPUC review and approval must be obtained:

- When a company’s shareholders would “own at least one hundred per cent of the shares” of the utility holding company
- When more than 25% of the members of the board of directors of a utility holding company are desired to be “replaced”
- When the number of directors is increased by at least 25%.

The Bill’s first addition relates to ownership by a corporation’s shareholders of at least 100% of the shares of a utility holding company. Under the existing statute, any corporation seeking to obtain 10% of the voting securities of a utility holding company already must apply for DPUC approval. The Bill’s language therefore appears to be unnecessary.

The Bill’s second addition would require approval prior to a change in more than 25% of the members of the board of directors of a utility holding company. As a matter of corporate governance, it is a company’s shareholders who elect the board of directors of a publicly held corporation. The new language would cause the state to intrude on that process and determine who should be on the board of a utility holding company. Further, members of a corporate board do change periodically. A change of three members in a ten member board, for example, would trigger the requirement of a DPUC application, hearing and approval even if nothing at all changed in the control of a utility holding company. And again, the state, through the DPUC, should not be deciding who can or cannot be on the board of a publicly held corporation.

The Bill's third addition would require DPUC approval prior to a utility holding company increasing the number of members of its board of directors by 25%. For example, if there were eight members of the UIL board of directors, the Bill would require UIL to seek approval if the board determined that the number should be ten directors. The Bill would thus impair the board's ability to make a business judgment about corporate governance, even if there is no change in control.

The existing statute provides a workable, accepted threshold criterion for when a DPUC application must be made – 10% of a utility holding company's voting securities. This is consistent with established law of what could potentially affect control and does not interfere with normal corporate governance decision making. The existing statute also provides for an omnibus protection by requiring a DPUC application to be made prior to any action that "if successful" would cause the person or entity taking the action to gain control over a utility or utility holding company. There is no need or reason to expand the existing, time-tested criteria.

Thank you for the opportunity to present this testimony. I will try to answer any questions you may have.